

December, 2005

Mr. John L. Margowski, Director

MEDICARE PRESCRIPTION DRUG PLANS (MEDICARE PART D) PHARMACY BENEFITS

UNDER SECRETARY FOR HEALTH'S INFORMATION LETTER

MEDICARE PRESCRIPTION DRUG PLANS (MEDICARE PART D) PHARMACY BENEFITS

1. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) added a new prescription drug program to Medicare. Starting January 1, 2006, prescription drug coverage will be available to everyone with Medicare through Medicare prescription drug plans (PDPs). All PDPs provide at least a standard level of coverage set by Medicare. Some plans may offer more coverage for a higher monthly premium. Individuals with Medicare coverage can enroll in a Medicare PDP from November 15, 2005 through May 15, 2006. After that, an annual enrollment period will be available each year, from November 15 through December 31, beginning in 2006, NOTE: Some individuals who enroll "late" may be subject to a "late enrollment penalty."
2. Most entities that currently provide prescription drug coverage to Medicare beneficiaries are required to disclose whether the entity's coverage is "creditable prescription drug coverage." Creditable coverage encompasses any of several cited prescription drug benefits (including prescription drug benefits provided as part of the Department of Veterans Affairs (VA) health care benefit) provided the actuarial value of the coverage equals or exceeds the actuarial value of defined Medicare standard prescription drug coverage.
3. The prescription drug benefit provided as part of VA health care benefit meets or exceeds Medicare criteria. This means that VA prescription drug coverage is at least as good as the Medicare Part D coverage and provides "creditable coverage" for purposes of Medicare.
4. Under most circumstances, there is no added value for VA health care enrollees to purchase Medicare prescription drug coverage. The exception to this general rule may be for those veterans who wish to have additional prescription access options and who have the resources to pay the additional costs associated with Medicare's Part D coverage. Because VA is creditable coverage for its health care enrollees, veterans who choose not to enroll in a Medicare Part D plan before May 15, 2006, do not have to pay the late enrollment penalty if they enroll in a Medicare drug plan during a later enrollment period.
5. If a veteran chooses to withdraw from VA health care or if VA takes some action that causes a veteran to lose VA coverage (e.g., VA makes an enrollment decision that would further restrict access to certain Priority Groups), affected veterans can enroll in a Medicare prescription drug plan, without incurring the late enrollment penalty, within 62 days of the end of VA coverage. NOTE: If a veteran decides to withdraw from VA health care, the veteran may not be able to reenroll at a later date, dependent on the current or a subsequent VA enrollment decision.

6. A veteran who is, or who becomes, a patient or inmate in an institution of another government agency (for example, a state veterans home, a state mental institution, a jail, or a corrections facility), may not have creditable coverage from VA while in that institution. Veterans who are unsure whether this may apply to them need to contact the institution where they reside, the VA Health Benefits Service Center at 1 877-222-VETS (8387), or their local VA medical facility. Further information also can be obtained at www.va.gov.

7. Veterans need to remember that in addition to prescription drugs, VA's Medical Benefits Package provides a full-range of health care benefits. Veterans are still eligible to receive all current health and prescription drug benefits if they choose to enroll in a Medicare prescription drug plan. Veterans do not have to choose between VA coverage and a Medicare prescription drug plan; they may participate in either or both.

8. For more information on Medicare Part D, visit the Medicare Web sites at www.cms.hhs.gov/partnerships or www.medicare.gov, or call its 24-hour toll-free number at 1-800-MEDICARE (1-888-633-4227).

9. Questions may be directed to The Chief Business Office at (202) 254-0406.

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